

Message Text

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TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

EA-11 FRB-02 INR-10 IO-13 NEA-10 NSAE-00 OPIC-12

LAB-06 SIL-01 AGR-20 TAR-02 L-03 H-03 PA-03 PRS-01

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TAGS: EFIN, ECON, GW

SUBJECT: FRG TRADE LIBERALIZATION MEASURES UNDER THE SECOND
STABILITY AND GROWTH LAW

REF: BONN 6746

1. SUMMARY. STATE SECRETARY SCHLECHT OF THE ECONOMICS MINISTRY TOLD THE PRESS ON JULY 17 THAT THE EC COMMISSION AND THE EIGHT EC PARTNER COUNTRIES HAVE AGREED TO ALMOST ALL POINTS OF THE GERMAN TRADE LIBERALIZATION PROGRAM UNDER THE FRG'S SECOND STABILITY AND GROWTH LAW (ANTI-INFLATION) OF MAY 9, 1973 SUBMITTED BY THE FRG TO THE EC FOR CONSULTATION ON JUNE 25. UNDER THIS PROGRAM THE FRG WILL LIBERALIZE IMPORTS FROM STATE TRADING AND FAR EASTERN LOW PRICE COUNTRIES AND INCREASE IMPORT QUOTAS CREATING ADDITIONAL IMPORT POSSIBILITIES OF DM 900 MILLION TO THWART INCREASING CONSUMER PRICES. ABOUT 60 PERCENT, OR ROUGHLY DM 500 MILLION OF THIS AMOUNT WILL PROBABLY BE UTILIZED WITHIN ONE YEAR. END SUMMARY.

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2. THE PROGRAM, ACCORDING TO SCHLECHT, COVERS THE FOLLOWING

FOUR MAIN FIELDS:

- A. QUANTITATIVE IMPORT RESTRICTIONS VIS-A-VIS STATE TRADING COUNTRIES WILL BE ABOLISHED FOR 186 COMMODITIES. AMONG OTHERS, THE FOLLOWING CATEGORIES WILL BE AFFECTED: GASOLINE; CERTAIN TEXTILES SUCH AS HAND WOVEN RUGS, CORSETS, AND BLANKETS; BICYCLES AND MOTOR BICYCLES; PASSENGER CARS; COTTON YARNS; GLOVES; BABY CARRIAGES; AND SOME TYPES OF STEEL.
- B. THE REMAINING QUOTAS ON OTHER COMMODITIES WILL BE INCREASED SUBSTANTIALLY E.G., FOR SHOES BY 30 PERCENT AND FOR TEXTILES BETWEEN 25 AND 30 PERCENT, DEPENDING ON THE TYPE OF TEXTILES.
- C. THE QUOTAS FOR IMPORTS OF READY-MADE TEXTILE CLOTHING AFTER PROCESSING IN SOME EASTERN AND SOUTH EASTERN EUROPEAN COUNTRIES WILL BE INCREASED BY ABOUT 35 PERCENT. THIS WILL GIVE THE GERMAN CLOTHING INDUSTRY THE POSSIBILITY OF USING MORE THAN AT PRESENT THE FREE AND MORE ADVANTAGEOUS PRODUCTION AND PROCESSING FACILITIES IN THESE COUNTRIES.
- D. THE NATIONAL QUOTAS FOR NON-COTTON TEXTILES AND THE GERMAN QUOTAS FOR COTTON TEXTILES WITHIN THE EC SELF-RESTRAINT AGREEMENTS WILL BE TRIPPLED OR INCREASED BY 23 PERCENT, RESPECTIVELY.

3. SCHLECT STATED THAT THE EC HAD NOT APPROVED ALL GERMAN WISHES; HOWEVER, IT AGREED TO A FURTHER INCREASE OF IMPORT QUOTAS IN THE FALL OF THIS YEAR IF THE ECONOMIC SITUATION IN THE FRG SHOULD REQUIRE IT. HE SAID THAT THE LIST OF COMMODITIES INVOLVED BY THE LIBERALIZATION WILL BE PUBLISHED SHORTLY BUT HE UNDERLINED THAT THEY ARE ITEMS THE EXPORTING COUNTRIES CAN DELIVER AT "INTERESTING" PRICES. HE CALLED ON GERMAN IMPORTERS TO PASS THE PRICE ADVANTAGES ON TO THE CONSUMERS.

4. SCHLECHT ADMITTED THAT THE TEXTILE PART OF THE STABILITY PROGRAM HAD BEEN ATTACKED BY THE TRADE UNION WHICH FEARS THAT TOO LARGE IMPORTS MAY ENDANGER JOBS.

5. BACKGROUND: ON JULY 6, 1973, THE ECONOMICS MINISTRY HAD SUMMARIZED THE MEASURES PRESENTED TO THE EC COMMISSION ALONG THE FOLLOWING LINES:

- A. OF 7141 COMMODITIES IN THE COMMERCIAL AND INDUSTRIAL SECTOR, 6,340 COULD BE IMPORTED FROM STATE TRADING COUNTRIES WITHOUT QUANTITATIVE RESTRICTIONS. THE PROPOSED MEASURES WOULD HAVE EXEMPTED ANOTHER 200 ITEMS FROM QUANTITATIVE RESTRICTIONS,

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ALTHOUGH THEIR IMPORT WILL CONTINUE TO REQUIRE SOME KIND OF APPROVAL (DE FACTO LIBERALIZATION). THUS ONLY 8.4 PERCENT OF COMMERCIAL AND INDUSTRIAL COMMODITIES WOULD BE SUBJECT TO IMPORT QUOTAS IN THE FUTURE.

- B. THE FRG REQUESTED TO ABANDON IMPORT LICENSING OF NUMEROUS GOODS FROM STATE TRADING COUNTRIES (DE JURE LIBERALIZATION). THIS WOULD PERTAIN TO PRODUCTS WHICH HAVE DE FACTO BEEN LIBERALIZED FOR 18 MONTHS, I.E., WHOSE IMPORTS WERE SUBJECT

TO APPROVAL BUT NOT UNDER QUANTITATIVE RESTRICTIONS AND FOR WHICH NO DUMPING PRACTICES WERE APPLIED DURING THIS TIME.

C. THE QUOTAS FOR IMPORTS OF COMMODITIES AFTER PROCESSING IN EASTERN AND SOUTH EASTERN EUROPEAN COUNTRIES ARE REQUESTED TO BE INCREASED.

D. UNDER GERMAN PLANNING, THE EXISTING IMPORT QUOTAS FOR NON-COTTON TEXTILES, ESPECIALLY FOR CLOTHING OR SYNTHETIC MATERIALS FROM SOUTH KOREA, TAIWAN AND HONGKONG WERE TO BE INCREASED.

E. BONN REQUESTED THE EC TO AGREE TO RAISE THE FRG IMPORT QUOTAS FOR COTTON TEXTILES (E.G., TROUSERS, SHIRTS, BLOUSES) FROM YUGOSLAVIA, INDIA, PAKISTAN, SOUTH KOREA AND HONGKONG WHICH HAVE BEEN FIXED WITHIN THE FRAMEWORK OF THE EC.

F. FINALLY THE FRG ASKED THAT IMPORT RESTRICTIONS FOR TEXTILE AND CERAMIC PRODUCTS FROM LIST B COUNTRIES (E.G. , JAPAN AND NUMEROUS LDC'S) BE REDUCED. THE OBLIGATION TO OBTAIN IMPORT APPROVAL FOR 104 OF 276 QUOTA-COMMODITIES WOULD BE MAINTAINED.

6. THE MINISTRY EMPHASIZED THAT THE FRG (LIKE THE OTHER EC COUNTRIES) HAS CONCURRED IN LONG-RANGE AGREEMENTS WITH EASTERN EUROPEAN STATES TO GRADUALLY ABANDON QUANTITATIVE RESTRICTIONS BY THE END OF 1974 AND THAT IT HAS RESERVED THE RIGHT TO MAINTAIN A "HARD NUCLEUS" OF RESTRICTIONS FOR SOME SENSITIVE COMMODITIES AFTER THAT DATE. THE MINISTRY CONCEDED THAT THE ADDITIONAL IMPORT POSSIBILITIES OF DM 500 MILLION OVER ONE YEAR, MEASURED BY THE OVERALL IMPORT VOLUME OF THE FRG, WILL NOT HAVE A DIRECT EFFECT ON THE INTERNAL INFLATION RATE. THIS LIBERALIZATION IS CONSIDERED AS A "FLANKING MEASURE" OF THE SECOND STABILITY AND GROWTH LAW (AS REPORTED REFTEL). THE FRG THINKS THAT THE LIBERALIZATION WILL IMPROVE THE OVERALL TRADING CLIMATE.

7. EMBASSY COMMENT: SCHLECHT'S PRESS STATEMENT DID NOT REFER TO DE JURE AND DE FACTO LIBERALIZATION DISTINCTION. IN ADDITION, HE DID NOT NAME SPECIFIC COUNTRIES AFFECTED BY THE LIBERALIZATION
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MEASURES, AND FINALLY, HE DID NOT SPECIFY THE 14 COMMODITIES WHICH WERE NOT APPROVED BY THE EC. END COMMENT.HILLENBRAND

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